1997 Annual Report

GEODYNE

Corporate Profile

Geodyne Technologies Inc. is a Calgary based international exploration and production company which seeks to identify resource opportunities globally and to convert them into enhanced shareholder value. Geodyne is committed to the maintenance and continued growth of its cash flow generating hydrocarbons asset base in western Canada. The risk profile of the company in this regard is moderate in recognition of the importance of maintaining a sound and growing cash flow stream.

Through the experience of the Board of Directors, and the strength of the technical advisors consulted by Geodyne, the company attempts to become exposed to situations that may have a significant long term positive effect on corporate asset value and thus share value. While higher risk is implicit in this aspect of the corporate strategy, the Board remains committed to a conservative capital structure.

Crude Oil Production (barrels)

Property	1997	1996	1995
Unwin, SK.	28,535	16,562	8,425
Lonerock, SK [1]	663	3,702	4,007
Rainbow, AB	2,461	2,520	927
Matziwin, AB	5,558	5,443	2,109
Princess, AB	3,985	3,969	2,132
	41,202	32,196	17,600

[1] Sold effective April 1, 1997

Crude Oil Reserves Reconciliation [a]

Total	Total Proved (barrels)	Proved Plus Probable (barrels)
As at December 31, 1996	383,175	429,500
Production	(41,202)	(41,202)
Additions	645,238	933,238
Dispositions (net)	(37,587)	(37,587)
Technical Revisions	80,948	34,623
As at December 31, 1997	1,030,572	1,318,572

[a] From an independent evaluation of the Company's reserves

Letter to the Shareholders

As discussed below, 1997 was a year of mixed results for Geodyne. Oil production volumes continued to grow and a substantial increase in oil reserves was realized. Due to reduced commodity prices, production revenue growth did not match growth in the number of barrels produced. During the year the company became involved in the mining industry but did not achieve its goal of establishing a self-funding minerals operation. Geodyne does not intend to participate in any new mining ventures in the foreseeable future.

Oil and Gas

During the year growth in oil production and expansion of oil reserves was achieved at the Unwin field in west-central Saskatchewan. With the addition of three new producing Sparky oil wells (0.75 net wells) Geodyne owns a working interest in ten oil wells (3.7 net wells) in this field. An independent engineering evaluation of oil reserves at Unwin has determined that as at January 1, 1998, proved producing oil reserves (395,000 barrels) plus proved undeveloped oil reserves (469,000 barrels), net to Geodyne before crown royalty, totaled 864,000 barrels. Development of the Unwin field will continue dependent upon the availability of capital for drilling and as warranted in light of the oil price forecast.

The Princess property, located in southeastern Alberta, was shut-in late in 1997 as lower product prices eroded the production economics at this location. At the request of the company an independent engineering consultant completed a review of the property and determined that, subject to obtaining access to a water disposal well, probable reserves of 288,000 barrels of oil are assignable to the property. A potential water disposal well has been identified within economic reach of the property and thus the probable reserves have been included in the accompanying Crude Oil Reserves Reconciliation table.

Oil production increased twenty-eight percent to 113 barrels of oil per day (BOPD) in 1997 compared to 88 BOPD in 1996. As is indicated in the accompanying Crude Oil Production table the increased production resulted almost entirely from operations at Unwin, Saskatchewan. During the first fiscal quarter of 1998 Unwin production averaged approximately 100 BOPD net to Geodyne before royalty.

As determined by independent engineering evaluation, the company's proved oil reserves have grown significantly since the beginning of 1997. Proved reserves as at January 1, 1998 totaled 1,030,572 barrels, which is an increase of one hundred and sixty-nine percent from a year earlier. Utilizing constant crude oil pricing over the calculated life of the reserves, the estimated net present value of the proved reserves plus fifty percent of the probable reserves, when discounted at twelve percent, was $3,358,000. (Utilizing the same evaluation parameters and escalated crude oil pricing the estimated net present value of Geodyne's crude oil reserves was $5,511,000 as at January 1, 1998; or $0.16 per outstanding common share.)

Minerals

During the reporting period Geodyne participated in mineral exploration and production activities at three locations:

At Eagle Mountain, Guyana a deep soil auguring program, intended to confirm a previously identified gold-in-soil anomaly, was unsuccessful. It had been theorized that an Omai type deposit (a gold mine in the vicinity operated by Cambior) could be found on the Geodyne property. It has been concluded that the gold anomaly resulted from surface enrichment due

Letter to the Shareholders (continued)

to the presence of gold bearing quartz veins in the area. Pending the results of exploration programs being conducted by other companies near the Geodyne property no further exploration activity is planned at Eagle Mountain at this time.

The Bolivian initiative involved agreements whereby Geodyne could acquire a 24.7 percent interest in several properties. The entry into Bolivia was predicated on the expectation, based upon gold recovered during the drilling of 21 holes on a placer property, that mining operations would provide for the recovery of the initial investment and would fund exploration activity. The results from mining did not match expectations in terms of either gold recoveries or the cost of operations. As the original premise of self-funded activity in Bolivia was determined to be unachievable, operations in the country were permanently discontinued.

During the year the company entered into an option agreement which, if exercised, provided for the earning of up to a 50% interest in 13,705 square kilometers of minerals prospective lands in Egypt. Full participation was dependent upon the availability of funding. With the decline in the price of gold, and the reduced interest of investors in mining activities generally during 1997, sufficient funding to finance the project was not available and the option was allowed to lapse. Geodyne retains no continuing interest in the optioned lands.

Financial

While production volumes increased 28% in 1997, when compared to 1996 results, production revenue decreased slightly to $698,400 from $705,727. The revenue decrease occurred due to a decline in the average oil price paid to Geodyne: the average price in 1997 was $16.95 per barrel and in 1996 was $21.92 per barrel. On a per barrel basis the cash costs incurred during 1997, including operating costs, general and administrative costs and bank interest, were 6% lower than in 1996. However due to the relatively larger decrease in the oil price, cash flow from operations in 1997 declined to $28,667 from $139,536 in 1996.

Geodyne invested $366,969 in the Bolivian venture during the year. Of this total, the company has written down $277,227 of the investment and is carrying the remaining $89,742. The operator of the Bolivian joint venture is indebted to Geodyne relative to the operation of the project. The final amount of indebtedness has not been determined however payment of $89,742 is expected during the first half of 1998.

Outlook

Going forward the company will concentrate on identifying oil and gas opportunities in the domestic and international arenas. The officers and directors, each of whom hold significant common share positions, are determined to position Geodyne for growth during 1998. This will be accomplished by entering into business combinations with suitable companies and/or by generating and developing programs internally. Growth in the value of Geodyne common shares is the goal.

On behalf of the Board of Directors

JG Constable

Jon G. Constable, President

Management's Responsibility For Financial Statements

All information presented in the Annual Report is the responsibility of the Company's management. The accompanying financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Where necessary management has objectively generated estimates utilizing all relevant information available.

Geodyne's management have implemented and maintained internal controls to provide reasonable assurance that assets are properly safeguarded and that transactions and financial records are properly recorded and maintained to provide reliable financial information.

The Audit Committee of the Geodyne Board of Directors has reviewed the financial statements with management and KPMG, the Company's external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

JG Constable

Jon G. Constable
President
March 17, 1998

Auditors' Report

To the Shareholders of Geodyne Technologies Inc.

We have audited the balance sheets of Geodyne Technologies Inc. as at December 31, 1997 and 1996 and the statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants
Calgary, Canada
March 17, 1998

Balance Sheet

December 31, 1997 and 1996

	1997	1996
ASSETS		
Current assets:		
Cash	$21,759	$20,346
Accounts receivable	77,704	107,432
	99,463	127,778
Capital assets (note 2)	1,400,447	1,419,926
Mineral properties and deferred costs (note 3)	153,945	-
	$1,653,855	$1,547,704
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$33,132	$135,458
Long-term debt (note 4)	900,000	270,000
Provision for future abandonment costs (note 5)	38,793	19,844
Shareholders' equity:		
Capital stock (note 6)	1,198,246	1,198,246
Deficit	(516,316)	(75,844)
	681,930	1,122,402
Contingency (note 9)		
	$1,653,855	$1,547,704

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

Statement of Operations & Deficit

Years ended December 31, 1997 and 1996

	1997	1996
Revenue:		
Petroleum and natural gas sales	$698,400	$705,727
Less: royalties, net of ARTC	(47,883)	(49,692)
	650,517	656,035
Expenses:		
Operating	377,033	331,642
General and administrative	200,725	151,454
Depletion and depreciation	188,365	134,541
Interest on long-term debt	44,092	33,403
Write down of mineral properties and deferred costs (note 3)	280,774	-
	1,090,989	651,040
Net earnings (loss) for the year	(440,472)	4,995
Deficit, beginning of year	(75,844)	(80,839)
Deficit, end of year	$(516,316)	$(75,844)
Net earnings (loss) per share	$(0.01)	$0.00

See accompanying notes to financial statements.

Statement of Changes in Financial Position

Years ended December 31, 1997 and 1996

	1997	1996
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	$(440,472)	$4,995
Depletion and depreciation	188,365	134,541
Write down of mineral properties & deferred costs	280,774	-
Change in non-cash working capital	(72,598)	17,520
	(43,931)	157,056
Financing activities:		
Increase (decrease) in long-term debt	630,000	(194,000)
Capital stock	-	530,000
	630,000	336,000
Investing activities:		
Capital assets	(247,179)	(531,860)
Mineral properties and deferred costs	(434,719)	-
Proceeds on sale of capital assets	97,242	-
	(584,656)	(531,860)
Increase (decrease) in cash	1,413	(38,804)
Cash, beginning of year	20,346	59,150
Cash, end of year	$21,759	$20,346

See accompanying notes to financial statements.

Notes to Financial Statements

Years ended December 31, 1997 and 1996

General:

Geodyne Technologies Inc. (the "Company") is a resource based company seeking oil and gas opportunities domestically and internationally. Currently the Company is an independent producer of oil and gas with reserves in Alberta and Saskatchewan.

1. Significant accounting policies:

(a) Petroleum and natural gas operations:

The Company follows the full cost method of accounting for oil and natural gas activities whereby all costs, net of incentives, related to the acquisition of, the exploration for and development of oil and gas reserves are capitalized. Costs include lease acquisition, geological and geophysical expenditures, drilling expenditures, related plant and production equipment costs and overhead costs that relate to exploration and development activities. All other general and administrative and interest costs are expensed. Proceeds on disposal of properties sold are deducted from capitalized costs without recognition of profit or loss except for dispositions which would alter the depletion and depreciation rate by 20% or more.

All costs of exploring for and developing petroleum and natural gas reserves, together with the costs of production equipment, are depleted and depreciated on the unit of production method based on estimated gross proven reserves. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content.

Costs of acquiring unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations. In applying the full cost method, the total capitalized costs less accumulated depletion, depreciation, deferred income taxes and provision for future site restoration costs are limited to an amount equal to the estimated future net revenue from proven reserves plus the cost (net of impairments) of unproven properties less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes.

(b) Mineral properties and deferred costs:

All costs related to mining properties are capitalized on a property-by-property basis. Such costs include mining claim costs and exploration and development expenditures, net of any recoveries. The costs related to a property from which there is production, together with costs of production equipment, will be depleted and depreciated on the unit-of-production method based upon estimated proven reserves to be determined by independent consulting engineers. When there is little prospect of further work on a property being carried out by the Company or its partners, the costs of that property are charged to earnings.

The recovery of the costs of the non-producing mining properties is dependent upon the successful development of economic mining operations or the sale or disposition of such properties for amounts at least equal to the Company's investment therein.The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the sale of interests in the properties, or the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete development, and future profitable production from operations.

(c) Future site restoration and abandonment costs:

The estimated costs for future site restoration and abandonments, are provided for on a unit-of-production basis. The estimates are based upon regulations and industry standards in effect at year-end. The annual charge is included in depletion and depreciation expense and actual restoration costs are charged to the site restoration provision as incurred.

(d) Joint interest operations:

Substantially all the Company's exploration and production activities are conducted jointly with other entities and accordingly the accounts reflect only the Company's proportionate interest in such activities.

(e) Management estimates:

Certain items recognized in the financial statements are subject to management estimates. The recognized amounts of such items are based on the Company's best information and judgment.

The amount recorded for depletion and depreciation of petroleum and natural gas properties and the provision for future site restoration costs are based on estimates. The ceiling test calculation is based on estimates of proven reserves, production rates, petroleum and natural gas prices, future costs and other applicable assumptions.

By nature these calculations are subject to estimates and the effect on the financial statements of changes in such estimates in future periods may be significant.

2. Capital assets:

	1997	1996
Petroleum and natural gas properties	$1,511,000	$1,419,110
Production equipment	230,544	178,795
Office furniture and equipment	10,663	4,365
	1,752,207	1,602,270
Accumulated depletion and depreciation	(351,760)	(182,344)
	$1,400,447	$1,419,926

Notes to Financial Statements (continued)

At December 31, 1997 the Company had a surplus in its ceiling test using average prices in effect for the year then ended of $16.95/bbl for oil.

Had the year end price of $9.68/bbl for oil been used in the ceiling test calculation, the Company would have recorded a write-down of capital assets of $1.3 million, before taxes.

3. Mineral properties and deferred costs:

	Expenditures during 1997	Written-down during the year	Balance Dec. 31, 1997
Bolivia	$366,969	$277,227	$89,742
Guyana	64,203	-	64,203
Egypt	3,547	3,547	-
	$434,719	$280,774	$153,945

The Company expects to recover the balance of $89,742 related to Bolivia from the operator of the project.

4. Long-term debt:

The non-revolving reducing demand loan bears interest at prime plus 1.0%, with interest payable monthly and principal repayable on demand. The credit limit of $1,290,000 is reduced by $30,000 per month commencing May 28, 1997. Security for this indebtedness is provided by a general assignment of accounts receivable, a first fixed and floating charge debenture over all assets, and a fixed charge on the main producing oil and gas properties.

5. Future abandonment costs:

As at December 31, 1997, the future abandonment costs were estimated to be $188,500. These costs will be amortized over the life of the remaining proven reserves.

6.Capital stock:

(a) Authorized:

Unlimited number of special shares without par value, issuable in series

Unlimited number of common shares without par value

(b) Issued capital:

No special shares have been issued. Changes in common shares issued are as follows:

	# of Shares	Amount
Balance, December 31, 1995	30,879,632	$668,246
Exercise of stock options	300,000	30,000
Flow through share issue	3,333,334	500,000
Balance, December 31, 1996	34,512,966	1,198,246
Balance, December 31, 1997	34,512,966	$ 1,198,246

Of the shares issued pursuant to the flow-through arrangements, Company directors and officers subscribed for 454,000 shares during 1996.

(c) Stock options:

As at December 31, 1997, the directors and officers held options to purchase 2,600,000 common shares of the company at prices of $0.10 per share, $0.13 per share and $0.19 per share expiring in April, 2000, April, 2001 and March, 2002.

As at December 31, 1997, two shareholders of the Company held options to purchase 250,000 common shares of the Company at $0.10 per share, expiring in April, 2000. These options were granted for services rendered to the Company.

7. Income taxes:

The income tax expense differs from the amounts that would have resulted had the combined federal and provincial statutory tax rate of 44.6% had been applied to the earnings (loss) before taxes for the year as follows:

	1997	1996
Computed "expected" tax	$ –	$2,228
Increase (decrease) in taxes resulting from:		
Non-deductible crown royalties	18,155	17,352
Alberta Royalty Tax Credit	(362)	(844)
Resource Allowance	(14,143)	(23,303)
Crown lease rentals	3,181	3,648
Losses, the benefit of which have not been recognized	(6,831)	919
	$ –	$ -

At December 31, 1997 the Company has available the following amounts which may be deducted in determining taxable income:

	Rate	$
Undepreciated capital cost	8 - 25%	$331,200
Cumulative eligible capital	7%	556,600
Research and development expenditures	100%	2,132,800
Share issue costs and commissions	20%	8,800
Canadian oil and gas property expense	10%	54,800
Canadian development expense	30%	101,400
Canadian exploration expenses	100%	31,700
Foreign exploration and development expense	10%	448,400

In addition, the Company has accumulated non-refundable scientific research and development investment tax credits in the amount of $198,231 which are deductible from future income taxes payable. These investment tax credits expire in 2004.

8. Financial instruments:

The carrying value of the financial assets and liabilities approximate their fair values at December 31, 1997.

9. Contingency:

Pursuant to a settlement agreement effective September 28, 1994,with respect to an interest free loan from the Federal Government under the Western Economic Diversification program in the amount of $205,395, the Company has paid $12,617 and is obligated to repay $192,778 over a six year period (ending December 31, 1999) as and when certain tax credits available to the Company are utilized over that period. Upon expiry of the settlement agreement, effective December 31, 1999, the Company will have no further obligation to repay any remaining outstanding amount. This obligation has not been reflected in the accounts of the Company at December 31, 1997. This reduction of debt has been credited to earnings and any future payments made by the Company in this regard will be charged to earnings.

Corporate Information

BOARD OF DIRECTORS & OFFICERS
Arnold L. Ames
Calgary, Alberta

Charles W. Berard, Secretary
Calgary, Alberta

Jon G. Constable, President
Calgary, Alberta

Richard A. Gusella
Calgary, Alberta

AUDITORS
KPMG
Calgary, Alberta

BANKERS
National Bank of Canada
Calgary, Alberta

SOLICITORS
Macleod Dixon
Calgary, Alberta

REGISTRAR & TRANSFER AGENT
CIBC Mellon Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING
The Alberta Stock Exchange
Trading Symbol "GTI"

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ANNUAL MEETING OF SHAREHOLDERS
Friday, June 5, 1998 at 10:00 a.m. in the offices of Macleod Dixon,
3700, 400 - 3rd Avenue SW, Calgary, Alberta.

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